848.0000 VALUATION METHODOLOGY

848.0005 **Cable Television Appraisal Unit—Declines in Value.** In determining whether or not cable television systems have declined in value, assessors must follow the requirement set forth in Property Tax Rule 461(d) that fixtures and other machinery and equipment classified as improvements be treated as a separate appraisal unit. C 11/7/96.

848.0010 **Comparative Sales Approach.** For property tax purposes, evidence relating to the recent sale of a subject property or of a comparable property *may* be relevant to the determination of the fair market value of the property as long as the evidence aids in shedding light on the issue. Nevertheless, such evidence may not be sufficiently reliable to establish value—or even to be given consideration—when there are other factors at play that may have affected the purchase price. Such factors may include the personal or contractual relationship of the parties and the presence of other components or business considerations. C 6/30/2000.

848.0040 **Income Approach.** Revenue and Taxation Code section 402.5 prohibits the use of sales of real property occurring more than 90 days after the valuation date when valuing property by the comparable sales approach to value. However, the 90-days limitation of section 402.5 does not apply to the use of sales in computing capitalization rates to be used when valuing property using the income approach to value. C 5/29/96; C 3/30/2000.

848.0041 **Income Approach.** Payments by a lessee to a lessor which the latter uses to make payments on improvement bonds, the proceeds of which were used to finance improvements benefiting the leased property, constitute income to the lessor. C 7/23/96.

848.0042 **Income Approach.** Lease payments which a lessor uses to retire improvement bonds that are a lien against the leased property constitute income to be capitalized in calculating value using the income approach. C 7/23/96.

848.0060 **Mello-Roos Charges.** Under the Mello-Roos Community Facilities Act, a district may issue bonds or otherwise incur debt obligations which provide funds to finance public improvements. The debt is repaid with moneys received from property owners benefiting from the improvements, which moneys are defined in Government Code section 53340 as special taxes, regardless of the financing method employed.

Since these payments imposed are for special taxes, they are distinguishable from the more common payments for improvement bonds and should not be used as an adjustment to a sale price when determining the value of a property by the comparable sales approach. C 6/2/94.

848.0075 **Possessory Interest.** The purchase of a possessory interest in government-owned land and of a privately-owned but partially destroyed structure located thereon constitutes a change in ownership. The new base year value of the possessory interest may be determined by various approaches to value. However, when the direct comparison method, a sales approach to value, is employed, the price paid must be augmented by the present worth of any unpaid future contract rents for the estimated remaining term of possession and by any other obligations assumed by the purchaser. When the possessory interest rent is a percentage of the gross revenue from the total property, it is appropriate to estimate anticipated income from the improvement in its restored condition in determining future contract rents to be paid. C 10/20/95.